

OFFICIAL DISPATCH

VIA AIR
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DISPATCH NO.

MAS-N- 138

SECRET
CLASSIFICATION

TO

DATE

23 May 1951

FROM Chief of Base, Salzburg

Attention: and

SUBJECT { GENERAL Chief, FDM
SPECIFIC Operational

♦ MH B3K

OGIVE/BORHYTIN Approach to the MHK

Reference: NASA-499, and 264-CVANU

VA

1. In an effort to arrive at a plan which will be mutually beneficial to both offices, and to give coordinated direction to the Field, BORHYTIN and OGIVE representatives in Washington have discussed our various objectives and have come up with the basic aims each hopes to achieve in an approach to the ZAKO group. These are very similar, and a full explanation in this joint memorandum should help to clear up any previous misconceptions and point the way to your continued cooperation in the field.

2. Both BORHYTIN and OGIVE are interested primarily in determining whether there are any usable MHK assets in the way of individual couriers or sources in Hungary who could be used and controlled by us. The second and broader objective is to keep a continuous check on the MHK's activities in the American Zones of Austria and Germany, or wherever they interfere with our own recruiting programs and operations. In addition to these joint objectives, OGIVE would like to identify and curtail MHK multiple outlets for overt and fabricated reports in an effort to improve our overall coverage of the Hungarian target, to eliminate false confirmation, and false or overt information from the reports picture, and to redirect wasted effort and funds toward more fruitful targets.

3. It is emphasized that neither OGIVE nor the branch of BORHYTIN concerned is interested in contracting with the MHK to conduct operations on our behalf or using it as a front for cover purposes. BORHYTIN shares OGIVE's conviction that sound operations into Hungary must begin with the

STA
(Releasing officer)

44
(Coordinating officer)

EE 3
Acting Chief, FDM

(Authenticating officer)

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recruitment of single couriers who are qualified to undertake missions into Hungary and organize small compartmentalized groups under your control. The necessary slogans and patriotic motivation can be attached to these groups by BORHETES itself without the aid and participation of an insecure and uncontrollable refugee group more concerned with its political aims than with resistance to the present regime. Whether KORPORAY or the MHK have anything to contribute which would satisfy these conditions, and whether they would be willing to meet them if they had, is the central question at this point.

4. Frankly, we are dubious now, as we have been from the first, that there will be positive results from negotiations with the MHK or its former members. However, given the existence and ambitions of the MHK, we see no alternative but to spend the time required to pin down its activities and control them as far as possible. We could, perhaps, take the statements, both of ZAKO to PARAGO and of KORPORAY to you, that the MHK has no organized sources or resistance groups inside Hungary and let it go at that, but, unless we keep up directly and continuously with MHK policies and operations, we will have to deal individually with each outside approach made by that organization. We believe that the group is as vulnerable to investigation now as it is ever likely to be.

5. At present there are three alternatives for gaining entry into the MHK; through PARAGO, through KORPORAY, or directly through ZAKO. PARAGO has given various accounts of his recent trip abroad which are completely at odds with the facts, and has acted in poor faith with everyone concerned. It has been decided, therefore, that his continued participation could only further obscure the issue. See WASH-40517 on this point.

6. Although it may still be necessary to approach ZAKO directly, we agree that you should first follow through on the KORPORAY lead. He has acted as chief of operations for the MHK for some time and is in a position to provide the type of information you are after. ZAKO, on the other hand, has had very little to do with the details of the MHK's intelligence activities and would probably have to refer you back to KORPORAY or someone else on his level. Your negotiations with KORPORAY should fill in our basic information on the MHK and put us on a firmer footing to board ZAKO if and when that becomes necessary.

7. As you know, KORPORAY has been one of the central figures in the Kopjag-MHK since its formation in 1944, and we find his alleged defection from it rather hard to swallow. Attributing his split with ZAKO to the latter's penchant for dealing with all foreign intelligence services and selling reports to them indiscriminately, makes very much of a tongue-in-the-cheek admission of what we already know, to convince us of his sincerity. ZAKO followed much the same line in discussions with PARAGO.

8. The opening statement of KORPORAY's prospectus that "the author of this proposal did not, and does not now, have any connections with foreign intelligence agencies" is patently false. In 1946 he was instrumental in setting up the "Central Hungarian Intelligence Organization" in Villstadt,

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a short-lived BIS group combining Baron Viktor MIKUCHINA's network with the Kopjas, which was broken up by the British when they became aware of the fact that the FIS, through KORPOKAY, was sharing the take. In early 1949 a Mr. LANNON-BOYC, believed to represent the British SECURITY equivalent, again began negotiations with the MNEK, and the BIS was about to undertake broad support of it when they learned that KORPOKAY was discussing and coordinating the negotiations with the FIS. Aside from his known work for the BIS and FIS, KORPOKAY was the MNEK liaison man with CSC Austria until the substitution of Miklos LIZER in 1948.

9. All of this would tend to discredit KORPOKAY's story, but we believe it would be best for the time being to make a pretense of accepting his supposed defection at face value. KORPOKAY impresses us as a man who may well place his own ambitions and well-being above those of his group. By showing a personal interest in him, it may be possible to wean him from the MNEK, even though he may now be playing their game. If you consider this approach suitable, you may want to give him a spot payment of, say \$200. now for "personal expenses," and then proceed to recruit him. If you succeed, such a penetration of the MNEK would go far to satisfy the requirements stated in paragraph 2 above. This solution appeals to us as an alternative to buying up MNEK operations. Consequently we do not want you to feel that financial largesse toward KORPOKAY changes our attitude toward the operational merits of the MNEK. If you can put KORPOKAY on a salary, you will still be in a position to exercise strict control over any operations he may propose by holding on to the purse-strings.

10. KORPOKAY's plan forwarded with NASA-499 is the usual *taux de horizon* and is of no interest or value except as a point of reference in discussions with him. Your suggestion for a leadoff is a good one; first obtain the names of persons he would propose to staff his ambitious scheme, and check them against your own information to detect any attempt on his part to mislead you or to pass off one of the MNEK factories as an operational group. If the circumstances seem favorable, you might also want to ask KORPOKAY to prove his separation from the MNEK by giving you full details on the internal organisation of the MNEK, its relations with other intelligence services, the precise mechanics of MNEK reports factories, names of their members and outlets, particularly those directed toward the United States, and of present or past MNEK "clandestine" activities in Hungary.

11. Once these preliminaries have been completed, KORPOKAY should be informed that his plan is too ambitious for our purposes, but he should begin rather by setting up a simple operation involving the recruitment of one courier to make one mission to Hungary and to develop one producing source. Any further expansion would depend upon his success in this venture and, of course, on confirmation through whatever checks you may be able to set up that the mission actually took place and is not merely a figment of KORPOKAY's imagination.

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12. If you believe that KORPOKAY is not the man to effect a penetration of the NMBS, or if his defection is genuine and he is unable to stay close enough to KOLLORYI or others still in place, please review NMBS personnel for alternate penetration openings.

13. We hope [] and GRUZIN representatives in Salzburg will continue their excellent cooperation on the KORPOKAY lead, forwarding copies of progress reports to both offices in Washington as in the past. Headquarters will coordinate any new developments as they arise, and provide whatever support we may be able to give.

2 CG: Vienna